

## **Prepared by Kathy Lindsey**

### **MINUTES**

**Policemen's Pension and Trust Relief Fund**

**Thursday, December 11, 2008**

**9:00 a.m.**

On Thursday, December 11, 2008, at 9:00 a.m. a meeting of the Board of Trustees of the Policemen's Pension and Relief Fund of the City of Little Rock, Arkansas was held in the Sister Cities Conference Room at City Hall.

<b>PRESENT:</b>	Bruce Moore	-Chairman
	Sara Lenehan	-Treasurer
	Farris Hensley	-Secretary
	Mike Lowery	-Member
	Lee Harrod	-Member
	Brad Furlow	-Member
	Albert Miller	-Member

**ABSENT:**      None

Also present were Larry Middleton, Alex Jordan, and Bo Brister of Stephens Capital Management (Financial Consultants for the Fund); John Peace with Dover Dixon Horne Law Firm (Legal Consultants for the Fund); Roger Smith, a Government Relation Lobbyists for the Fund; and Kathy Lindsey, Pension Fund Administrative Technician, Steven Young, Retired Member.

Bruce Moore called the meeting to order at approximately 9:10 a.m., certifying that a quorum of the Board was present, and that the Media had been properly notified in a letter of December 8, 2008 to the Arkansas Democrat-Gazette.

Copies of the October and November Minutes were presented to the Board Members. Lee Harrod made a motion to approve the October minutes. Al Miller seconded the motion and it passed unanimously. During the review, Larry Middleton asked the Board for an amendment to the November minutes in reference to the impact the DROP plan could have on the Pension Fund. Mr. Middleton's concern is that if the market continues to decline and the Fund continues to pay the rate to DROP that has been committed in the past, it could have negative implications for the funding status of the plan. The approval of November minutes was tabled until January.

When asked by Mrs. Lenehan what the duties of Secretary consists of, Mr. Hensley replied that specific duties are not established within the Arkansas Statute; therefore it would be a duty of the Board to establish such policy. Mr. Hensley said that he would like for Pension Administrative Personnel to assist with whatever he needs in regard to preparation of the minutes, whether that be preparing them or assisting with the preparation process. He explained that he will not be transcribing the minutes for the next two or three months, and therefore would like to concentrate on establishing a website and blog to enable audio of the meetings to be downloaded, so members would have an option of listening to audio of the meetings. Following discussion, Mr. Moore committed the assistance of Pension Administrative Personnel to accomplish the above referenced process of transcribing and preparing the minutes.

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Following discussion, Brad Furlow made a motion to amend the benefit increase resolution to defer the effective date no later than December 2009 and to implement the increase providing the market does recover. Farris Hensley seconded the motion and it passed unanimously.

Lee Harrod asked that the Board Members look over the report that the actuary submitted in September. Mr. Harrod believes there are a few discrepancies in the report and these concerns could be addressed in the January meeting in which Mr. Carreiro will attend.

Larry Middleton reported the market is more upbeat. The last half of November and December has continued to rally and show strength. Interest rates will continue to drop to give relief to the housing industry. There is still softness in real estate. There is still a disconnect in the credit markets but there is strength in the equity markets. Mr. Middleton and Mr. Jordan spoke with Kevin Smith of PRISA to see what impact the real estate adjustment was having on the real estate holdings and to get a sense of what kind of liquidity needs were being requested. Mr. Middleton made a request to the Board to give them the latitude to request 30% be withdrawn from PRISA with the understanding that they will probably get 15-20%. Mr. Middleton believes that for the next six quarters real estate will continue to show weakness and given the amount of money that is allocated to PRISA, that is a prudent allocation. Mr. Furlow made a motion to approve this request. Mr. Hensley seconded the motion and it passed unanimously.

Larry Middleton reported treasuries have not yield zero since 1929, and 47.2% of treasuries were purchased by Foreign Nationals because there is a lot of confidence in the US Market. They are not being purchased for the yield, but for the protection. People are not investing in treasuries to make money; they are investing to get return of dollars. The global slowdown is starting to have an effect on the market that we have never seen or experienced. Part of it is being designed by the Fed to help assist people with their financial obligations on their mortgages. Thirty year government bond rates are at 3%, ten year bonds are 2% and four weeks are at 1 basis point. Mr. Middleton reported they don't see treasury rates going up, they see corporate costs coming down.

Alex Jordan gave a November 2008 financial report, and said that on November 30, 2008, the market value of the total Fund was \$48,211,547. Additionally, \$2,145,632.76 was held in the Metropolitan Bank Checking Account. On November 18, the Pension Office requested \$1,000,000 be wired to the Metropolitan Checking Account. This represents a decrease in the account balance of (\$2,429,287.53) since October 31, 2008. The component of this change was income of \$83,763.53. There were net contributions/withdrawals of (\$832,501.95). The Funds overall market rate of return for the month of November 2008 was a negative (3.18%), and was negative (19.57%) year-to-date through November 30, 2008. On November 30, 2008, \$25,179,513.62 was allocated to DROP.

Roger Smith reported that the bills regarding the auctioning of forfeited items online and establishing an effective date on QDRO's are ready. Mr. Smith met with PRB and they made a couple of recommendations. First, the language concerning the ethics law in reporting gifts over one hundred dollars, and second, a bill guaranteeing any plans that merge or consolidate with LOPFI be protected as far as any money they retain from all revenue sources such as forfeitures, sale of property, etc.

Mr. Smith met with Mark Hays and Judge Mike Robinson (District Judge in Saline County and active with District Judges Council). The Council has taken an aggressive position and wants to see an expansion of placing computers in courtrooms enabling judges to suspend or reinstate driver's licenses.

Mr. Smith reported that the Local Police and Fire Retirement System (LOPFI) Interim Study Committee's report identified three areas that needed attention. They suggested there needs to be a

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uniform employer rate for LOPFI. Little Rock has a high contribution rate. Second, members of LOPFI want a higher multiplier. Third, creating an incentive for old plans to merge with LOPFI. The changes that come with merging are LOPFI would manage the assets, they handle all administrative duties and you will receive a COLA (cost of living adjustment), and the benefits will remain the same.

Mr. Smith stated a merger is not mandatory and it is the decision of the Pension Board and the City Board to make that decision. Only positive comments will be considered. The Pension Board would make the decision to merge then bring it before the City Board.

Bruce Moore recommended the bills be placed on the agenda and presented to the Board. Mr. Smith stated we will not have bills on all three of these in time for the Board to look at every one of them. He suggested taking action on the two that have been submitted. Farris Hensley suggested endorsing as many bills as we can at one time. Mr. Smith suggested endorsing the QDRO and auction bill which will be presented in the January meeting. Farris Hensley agreed.

John Peace reported the stipulation of facts has been completed on the lawsuit and the brief is being worked. It is expected to be submitted to the Courts in February and a decision will be made by a Judge.

Mr. Peace forwarded a copy of the Attorney General's opinion to the Board Members and his opinion that the term fines and forfeitures do include probation fees. Mrs. Lenehan reported that these fees were being escrowed for three or four months and will be transferred to the Pension Account. The 10% will be deposited into the Pension Account from here forward. Mr. Hensley asks Mr. Peace what the statute of limitation is on recovering funds from previous years. Mr. Peace will consult with Dean Overstreet on the limitation. Mike Lowery made a motion for Mr. Moore and Mrs. Lenehan to calculate the amount for three years up to the time the fees were being escrowed and consult Tom Carpenter, City of Little Rock's Attorney, and report at the January meeting. Al Miller seconded the motion and it passed unanimously.

Mr. Harrod requested Pension administrative staff to include a copy of Dover Dixon's invoice with the monthly meeting packet.

Mr. Hensley made a motion that any legal opinion requested by any Board Member that needs immediate attention should be in the form of written notification to the legal counsel with a copy to the other Board Members. Mr. Furlow seconded the motion and it passed unanimously.

Mrs. Lenehan submitted copies of the un-audited balance sheet report year-to-date through November 30, 2008. The loss to the plan year to date is (\$15,618,719). The report indicated that on November 30, 2008, the total account fund balance was approximately \$50,421,112 of which \$25,179,513.62 was allocated to DROP. The net loss for the month of November was (\$911,036).

Also submitted were copies of the November 2008 expense and legal fee report. Total expenditures excluding benefit related expenses, were \$2,596.97 for the month of November, and \$58,705.21 calendar year through November 30, 2008. Legal fees totaled \$40,383.19 year to date through November 30, 2008.

Mr. Harrod made a motion to approve the financial reports. Mr. Miller seconded the motion and it passed unanimously.

Mrs. Lindsey asked the Board if Janet Wilson (widow of James Wilson) was entitled to receive an additional benefit for her disabled son Jason Wilson. Ms. Wilson has submitted a doctor's statement

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indicating Jason Wilson is permanently disabled. Mr. Furlow asked the Board to table this issue until January to give Mr. Peace time to research the matter.

Mrs. Lindsey informed the Board that Ms. Wilson is currently receiving an additional \$20.00 monthly which is the bonus James Wilson received for more than 20 years of service. Since spouses are not entitled to this bonus, Lowery made a motion that we send a letter to Ms. Wilson stating the Pension Office will be stopping the twenty dollar bonus that she is being overpaid beginning with the December 2008 pension payment and the Fund will not collect the overpayment. Mr. Miller seconded the motion and it passed unanimously.

Mrs. Lindsey reported widow's affidavits were sent out the first week of August. All affidavits were in by the deadline of November 30, 2008, with the exception of Claudine Armstrong. Mr. Hensley stated there is a procedure in place and in writing on the affidavit. The Pension Office should follow the established procedure is outlined in red on the affidavit. Mr. Harrod recommended her payment be stopped until the affidavit is received.

Mr. Lowery stated that printing alone for the December packet was \$760. To help defer printing and mailing expense, he suggested a letter be included in the January packet asking members currently receiving the packet by email if they would like to continue to receive the hard copy also.

Upon conclusion of Pension Board business, Mr. Hensley made a motion to adjourn the meeting. The motion was seconded by Mike Lowery, and it passed unanimously. The meeting adjourned at approximately 10:51 a.m.

Respectfully submitted,

Farris Hensley